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Netherlands

Food Processing Ingredients Sector

Belgium/Netherlands/Luxemburg (Benelux)

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Approved by:

Steve Huete

U.S. Embassy, FAS/The Hague

Prepared by:

Marcel Pinckaers, FAS/The Hague

Report Highlights:

The food processing industry is an important sector in the Benelux economy as it represents about 10% of total GDP or \$ 114 billion. Knowledgeable traders, access to 15% of the total EU population, an excellent distribution system and an innovative economy make the Benelux an attractive market for processing and trading agricultural products. U.S. exporters of food ingredients generally enter the Benelux market through a specialized local importer. A good importer is not only aware of all import regulations and standards but can also be your partner in promoting your product to his customers.

Includes PSD Changes: No

Includes Trade Matrix: No

Annual Report

The Hague [NL1]

[NL]

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SECTION I. MARKET SUMMARY

- The food processing industry is an important sector in the Benelux economy as it represents about 10% of total GDP. The industry has an estimated turnover of \$ 114 billion for 2007¹ and an annual growth rate of on average 2.5%. Within the food processing industry, the production of meat and dairy products forms the largest segment, followed by the production of wine and cigarettes. Other important segments include the bakery, confectionary, flour and sugar industry.

| | 2007 figures |
|---|----------------|
| Turnover food processing industry | \$ 114 billion |
| Amount processing companies | 5,400 |
| U.S. exports to the Benelux | |
| - Bulk Agricultural Products | \$ 710 million |
| - Intermediate Agricultural Products | \$ 458 million |
| - Consumer-Oriented Agricultural Products | \$ 949 million |
| - Fish and Seafood Products | \$ 185 million |

| Exchange rate | Year |
|----------------|-------------------|
| 1 USD = € 0.80 | 2006 |
| 1 USD = € 0.73 | 2007 |
| 1 USD = € 0.67 | 2008 ² |

- The majority of the processing companies are located close to the main port cities Rotterdam, Antwerp and Amsterdam. Knowledgeable traders, an excellent distribution system and an innovative economy make the Benelux an attractive market for processing and trading agricultural products.
- Although the Benelux itself has a population of only 27.5 million people, within a radius of 200 miles from the Benelux border, the food processing industry has access to roughly 75 million affluent consumers, or 15% of the total EU population. This densely populated region covers important markets like North Rhine Westphalia, London and Paris. Germany, France and the UK continue to be important markets for the Benelux food processing industry.

15% of the EU population, or 75 million, lives within 200 miles around the Benelux



- Similar to other Western European countries, the GDP and population only grow slowly in the Benelux countries. Greater growth opportunities are to be found in South, Central and East Europe. Processors therefore benefit from the expansion of the EU. Opportunities are also to be found outside the EU, in growing markets in South America and Asia.[F1]

- The on-going consolidation in the food processing industry, driven by the growing buying power of retailers, impacts the price and conditions negotiations between processors and food ingredient suppliers.

¹ Estimates by FAS/The Hague based on figures of the FNLI and Centrale Raad voor het Bedrijfsleven

² Based on January through March 2008

- In addition, more than ever before, the food processing industry is consolidating across the border. Not only did Benelux companies invest heavily in North and South America in recent years, international companies are also investing in the Benelux.
- In order to be successful in the Benelux food market and the larger EU market, U.S. exporters of food ingredients will have to comply with EU and national regulations.
- The Benelux market can be characterized by an aging population, smaller households, growing ethnic diversity, greater awareness of healthy lifestyles and sustainable production systems, growing demand for new tastes, products and experiences.
- Obesity is a growing problem within the EU, suppliers of healthy ingredients can therefore claim added-value to their products.

| Advantages (sector strengths and opportunities) | Challenges (sector weaknesses and threats) |
|--|---|
| U.S. food ingredients have become cheaper for Benelux food manufacturers because of the favorable exchange rate | A strong euro on the other hand makes Benelux food products in non-Euro export markets more expensive |
| Due to its geographical location, easy access to 15% of the EU population and excellent infrastructure and distribution system, the Benelux forms an excellent gateway to the rest of Europe | For its food ingredients, the industry increasingly depends on imports, including imports from 3 rd countries. |
| Benelux businessmen are in general considered to be business oriented, open-minded, straightforward, educated and often speak more languages | EU's tariff and non-tariff trade barriers often complicate or even disturb trade flows |
| A high level of knowledge and productivity; automation of production procedures | The high-level of regulations and administrative burdens discourages entrepreneurs |
| The high level of innovation and flexibility will lead to the ability to add more value to the finished food products | Relatively high labor costs and administrative burdens may lead to outsourcing activities to low labor costs countries |

SECTION II. ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

U.S. companies that want to start exporting their food ingredients to the Benelux market should research the market in order to get a better understanding. This can be done by reading FAS Attaché Reports and contacting FAS/The Hague for clarification on specific issues. The USDA Foreign Agricultural Service (FAS) offers U.S. suppliers a number of valuable services to assist with market entry. Once U.S. companies have this background, they have many choices of how to enter the market, for example by attending one of Europe's many FAS sponsored trade shows as a springboard into the

market, helping them establish new trade contacts and gauge product interests. Exporters should also contact their respective U.S. State Regional Trade Groups (SRTG) and other Cooperator Groups to obtain additional market entry support.

More detail on the four most valuable market entry assistance programs are as follows:

1. FAS Attaché Reports

New-to-market exporters should begin the entry process by studying the FAS Attaché reports on the Benelux. The Benelux Exporter Guide contains a general overview of the macro-economic situation, discusses demographic trends, food trends, offers exporter business tips and shares overviews of the food retail and HRI sectors, GAIN Report – NL7025.

Other helpful Attaché reports include the FAIRS and the Export Certification Report, respectively GAIN Report – NL7017 and GAIN Report – NL7026, which provides an overview of import regulation standards and required health and origin certificates. A complete selection of FAS reports can be viewed online at:
<http://www.fas.usda.gov/scripts/attacherep/default.asp>

2. FAS in The Hague

FAS in The Hague can be contacted for assistance with questions regarding the Benelux market, trade shows and other marketing or sales opportunities in that market. Contact information for FAS/The Hague is found at the end of this report.

3. Participation in Trade Shows

Trade shows are excellent locations for U.S. exporters to make contact with potential business partners, to conduct product introductions and to gauge buyer interest. Several of the largest trade shows in the world take place in Northwest Europe. Appendix 2 of the Benelux Exporter Guide GAIN Report – NL7025 will give you a complete overview of trade shows frequently visited by Benelux food buyers.

4. State Regional Trade Groups

The State Regional Trade Groups (SRTG) are regionally located in the U.S. and are non-profit trade development organizations that help U.S. food producers and processors sell their products overseas. They are funded by FAS, the State Departments of Agriculture and private industry. They carry out promotional activities that increase exports of U.S. high-value food and agricultural products. Activities include participation in international trade shows, overseas trade missions, reverse trade missions, export education, in-country research, and point-of-sale promotions in foreign food chains and restaurants in markets around the world. The SRTGs also administer a cost-share funding program called the Brand program, which supports the promotion of brand name food and agricultural products in overseas markets. For more information, contact the state regional trade group responsible for your state:

Food Export Association of the Midwest USA

Member states: Indiana, Illinois, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin

E-mail: info@foodexport.org

Web site: www.foodexport.org

Food Export USA - Northeast

Member states: Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont

E-mail: info@foodexportusa.org

Web site: www.foodexportusa.org

Southern United States Trade Association

Member states: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, Puerto Rico, South Carolina, Tennessee, Texas, Virginia, West Virginia

E-mail: susta@susta.org

Web site: www.susta.org

Western U.S. Agricultural Trade Association

Member states: Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming

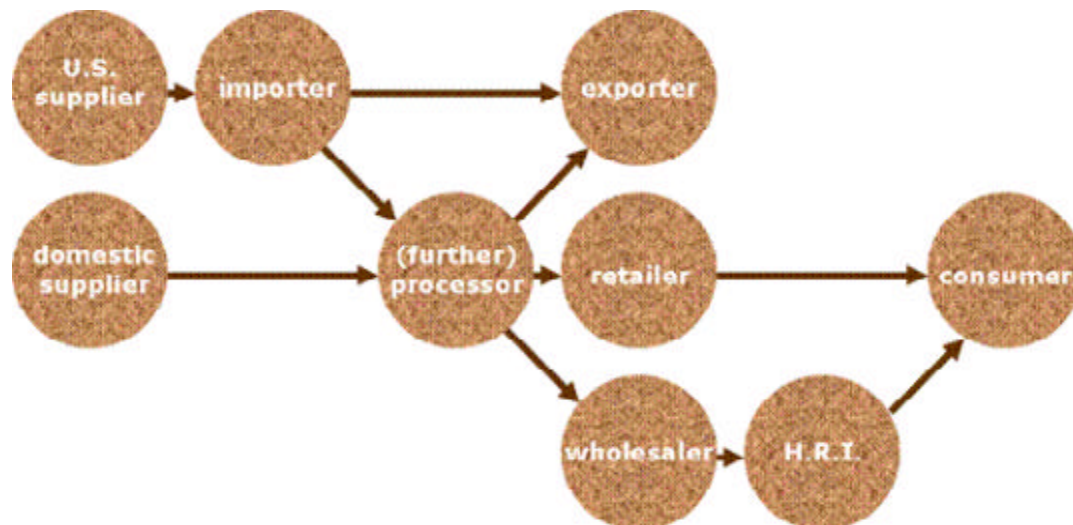
E-mail: export@wusata.org

Web site: www.wusata.org

The U.S. Agricultural Export Development Council is composed of U.S. trade associations and other organizations, in addition to the SRTGs, with an interest in promoting U.S. agricultural exports. For an overview and additional information on the various Commodity Groups, you can go to www.usaedc.org.

B. Market Structure

Depending on the ingredient, there are different supply chains in the Benelux market. The general supply chain described below applies to the majority of the ingredients. Benelux food processors source their ingredients from local producers and from importers (when ingredients are locally not available or not competitive). Only large processors might opt to import ingredients directly from foreign suppliers.



Once the ingredients have been processed into semi-manufactured products, they are sold on to further processors. In case of finished products, they are either sold to retail buying groups or to wholesalers/HRI players.

U.S. exporters of food ingredients generally enter the Benelux market through a specialized importer. A good importer is not only aware of all import regulations and standards but can also be your partner in promoting your product to his customers. The Benelux food processing industry is well developed and has access to any food ingredient imaginable. U.S. products that have been successful in the Benelux in the past always had a competitive advantage. This could include a lower price, higher quality or a unique innovative quality. U.S. products not produced in the European Union or unavailable in

large quantities have the potential to fare well in the Benelux although they might face fierce competition from other third country suppliers.

C. Company Profile

| | Company Name | Turnover, worldwide (mIn €) | Turnover, Netherlands (mIn €) | Product group |
|----|-------------------|--------------------------------|----------------------------------|--------------------------------|
| 1 | Unilever | 39,642 | 1,135 | convenience, meat |
| 2 | Heineken | 11,829 | n.a. | beverages |
| 3 | Sovion | 7,413 | n.a. | meat |
| 4 | Friesland Foods* | 4,675 | 1,378 | dairy |
| 5 | Campina Melkunie* | 3,624 | 1,122 | dairy |
| 6 | Nutreco | 3,009 | 535 | meat, feed |
| 7 | Numico | 2,623 | n.a. | baby food |
| 8 | CSM | 2,421 | 124 | sugar, bakery |
| 9 | Wessanen | 1,590 | 136 | snacks, natural foods |
| 10 | Cosun | 1,469 | 561 | ingredients (sugar, potato) |

Source: www.lei.dlo.nl

* Friesland Foods and Campina Melkunie have indicated to merge their operations

D. Sector And Consumer Trends

I. U.S. Investments in the Netherlands

- The Netherlands' trade and investment policy is among the most open in the world. With combined merchandise exports and imports virtually equal to GDP, the Dutch economy is one of the most internationally oriented in the world.
- Investors have found the Netherlands a favorable location for their European investments projects. The Dutch actively solicit foreign investment through the Netherlands Foreign Investment Agency (NFIA) and related regional economic development companies.
- Investment surveys indicate that U.S. investors favor the Netherlands as a location for European Distribution Centers (EDCs). The introduction of a more friendly tax regime in the late 1990s and a drop in the corporate tax rate to 25.5% in 2007 make the Netherlands an attractive location for European headquarters.
- Foreign investors find the Netherlands attractive because of the country's stable political and macroeconomic climate, a highly developed financial sector, the presence of a well-educated and productive labor force, and the high quality of the physical and communications infrastructure.
- Some potential bottlenecks in attracting foreign direct investments to the Netherlands include relatively high wage costs, heavy administrative burden and labor market imperfections (complex labor laws resulting in restricting hiring and firing practices for employers).
- For more information on the investment climate in the Netherlands, please go to the following website of the U.S. Department of State
<http://www.state.gov/e/eeb/efd/2008/101018.htm>.
- Information on the investment climate in Belgium can be found at the following website, <http://www.state.gov/e/eeb/efd/2008/100822.htm>.

- The following table will give you an overview of U.S. food companies (in alphabetical order) active in the Benelux market through joint ventures, acquisitions, etc.

| U.S. companies: | Sector: |
|-------------------|--|
| ADM | soya, oils, fats, cocoa |
| Bruce Foods | tex-mex food products |
| Campbell Foods | soup |
| Cargill | orange juice, grains, soft drinks, starch, poultry oils, fats, poultry, sugar, chocolate |
| Kraft | salad, convenience, coffee and confectionary products |
| Lamb Weston | potato |
| Master foods | confectionary products |
| PepsiCo | beverages, snacks, fats nuts, chips |
| Procter & Gamble | confectionery |
| Sara Lee | coffee |
| Simplot (ConAgra) | potato |
| Smithfield | meat products |

II. Key consumer trends

- The Benelux has over 27.5 million inhabitants and is the most densely populated region in the EU, with 412 people per square kilometer. More than two-thirds of its slowly growing population lives in a 100 mile corridor stretching from Amsterdam to Brussels.
- In recent decades more and more women have entered the labor force, especially in times of economic growth. In these double income households, time has become scarce. In their spare time they want to focus on their family and travel. Daily cooking is not on that priority list. This group of consumers is willing to pay additional money for variety, taste, convenience and health in food. As a result of increased purchases of meal components and ready-to-cook products, consumers are less knowledgeable about how to cook and prepare meals.
- Another development that drives changing consumer buying habits is the on-going trend towards smaller households. There are almost 12 million households with an average size of 2.3 people. Single and two person households are growing and households of 4 or more persons declining. Not only does this trend demand smaller portions, industry contacts also claim that consumers tend to buy more expensive, value-added products or meal components when cooking for only one or two persons.
- The Benelux population is graying. Last year, the age group of 55 years and older accounted for 26.4% of the population while 10 years ago this number was only 22.8%. In particular, the growing age group of 55-65 years old has relatively high purchasing power. In general they have benefitted from rising real estate prices and are enjoying a good pension.
- In line with the trend towards staying young, fit and healthy, consumers are increasingly buying healthy and functional foods and nutraceuticals. Fresh, natural, sustainable and organic products fare well because of this trend.

SECTION III. COMPETITION

Netherlands:

| Product Category | Major Supply Sources 2007 | Strengths of Key Supply Countries | Advantages and Disadvantages of local suppliers |
|--|--|--|--|
| Peanuts Total Imports: 279 (million USD) 275 ('000 MT) | Argentina (65%) USA (13%) China (12%) Brazil (3%) | China and India are the largest suppliers; the U.S., Argentina and Brazil are leading exporters. | No local supply |
| Almonds Total Imports: 100 (million USD) 18 ('000 MT) | USA (62%) Spain (22%) | Spain is an EU MS which makes trade with the Netherlands easier. The US dominates the international almonds trade | The Dutch food processing industry needs more almonds than Spain can supply. The production in the U.S. continues to grow and increasingly supplies Europe with high and consistent quality of almonds |
| Pistachios Total Imports: 99 (million USD) 17 ('000 MT) | USA (74%) China (4%) | The US dominates the international trade in pistachios | Although China, Iran and the US are all non-EU countries, the first two experience problems with the level of aflatoxin on pistachios |
| Fish fillets (030429) Total Imports: 553 (million USD) 139 ('000 MT) | Iceland (21%) Vietnam (17%) China (16%) Russia (8%) USA (5%) | Iceland and to a lesser extent Russia, Norway and China are suppliers of cod; Vietnam dominates the trade in pangasius; the U.S. leads the supply of Alaska pollack; Iceland and China supply respectively coalfish and saltwater fish | No local availability of price competitive fish fillets |
| Milk powder not exceeding 1.5% fat (HS 040210) Total Imports: 396 (million USD) 110 ('000 MT) | Germany (42%) France (17%) Poland (10%) Belgium (9%) Ireland (5%) UK (4%) USA (2%) | Increasing prices of dairy products on the EU market induced imports from outside the EU, including the U.S. | Due to increased competition on bulk products on the world market, the EU sector is increasingly focusing on added value; this gives opportunities for U.S. producers to supply the EU market with bulk dairy products |

| | | | |
|--|--|---|--|
| Fats and oils derived from milk (HS 040590) Total Imports: 31 (million USD) 7 ('000 MT) | Belgium (51%) USA (24%) Germany (8%) New Zealand (5%) | Belgium is a major butter oil producer and trader | Belgium and Germany are EU countries and Germany is a neighboring country with the advantage of distance |
| Butter (HS 040510) Total Imports: 213 (million USD) 2 ('000 MT) | New Zealand (51%) Germany (17%) Belgium (11%) Poland (4%) USA (3%) | New Zealand uses a tariff quota for their butter exports to the EU | |
| Processed fruit (200899) Total Imports: 188 (million USD) 213 ('000 MT) | Costa Rica (19%) India (19%) Ecuador (10%) Poland (9%) USA (7%) | The vast majority is mixed processed fruit with added sugar from predominantly Costa Rica, India and Thailand | No local availability of price competitive fruit |
| Fruit and vegetable juices Total Imports: 1,094 (million USD) 570* ('000 MT) | Germany (20%) Brazil (18%) China (5%) USA (5%) | Half of Dutch fruit juices imports is citrus juice with Brazil and to a lesser extent Israel, the U.S. and Cuba as leading suppliers. The other half is dominated by pineapple juice imports from Thailand and Costa Rica and apple juice imports from China. | No local availability of fruit and vegetable juices |

Source: Globe Trade Atlas

* FAS/The Hague estimates

Belgium:

| | | | |
|--|--------------------------|--|--|
| Almonds (080212) Total Imports: 82 (million USD) 15 ('000 MT) | USA (50%) Spain (25%) | Spain is also an EU country which makes trade with Belgium easier, the US dominates the international almonds trade. | The Belgian food processing industry needs more almonds than Spain can supply. The production in the U.S. continues to grow and increasingly supplies Europe with high and consistent quality of almonds |
| Pistachios (080250) Total Imports: | USA (67%) Iran (20%) | The US dominates the international trade in pistachios | Although Iran and the US are both non-EU countries, Iran |

| | | | |
|---|---|--|--|
| 53 (million USD) 9 ('000 MT) | | | experiences problems with the level of aflatoxin on pistachios |
| Fruit and vegetable juices Total Imports: 908 (million USD) 883* ('000 MT) | Brazil (55%) France (15%) Germany (13%) Netherlands (6%) Italy (2%) Spain (2%) Ireland (1%) USA (1%) | Belgium's import of fruit juices is dominated by citrus juice imports from Brazil | No local availability of fruit and vegetable juices |
| Fish fillets (030429) Total Imports: 253 (million USD) 46 ('000 MT) | China (16%) Vietnam (14%) Chile (8%) Ireland (7%) Denmark (6%) USA (2%) | Iceland and to a lesser extent China and Denmark are suppliers of cod; Vietnam and also China dominate the trade in freshwater fish (pangasius); the U.S. and China lead the supply of Alaska pollack; Chile and China supply respectively pacific salmon and saltwater fish | No local availability of price competitive fish fillets |

Source: Globe Trade Atlas

* FAS/The Hague estimates

SECTION IV. BEST PRODUCT PROSPECTS

Ingredients present in the market which have good sales potential

Nuts: almonds, peanuts, pistachios, walnuts, hazelnuts, pecans

Seafood: pollack, cod, monkfish, haddock, halibut, scallops, lobster, etc.

Processed Fruit and Vegetables

Fruit juice concentrates: orange juice, cranberry, grapefruit

Ingredients not present in significant quantities, but which have good sales potential

Dairy products: milk powder, milk fats and oils, butter

Ingredients for the natural or healthy foods industry

Ingredients not present because they face significant barriers

Meat and meat products

GMO derived ingredients that are not EU approved

SECTION V. POST CONTACT AND FURTHER INFORMATION

If you have questions or comments regarding this report, or need assistance exporting to the Benelux, please contact the U.S. Office of Agricultural Affairs in The Hague, the Netherlands:

U.S. Department of Agriculture's Foreign Agricultural Service

Marcel Pinckaers

Embassy of the United States

Lange Voorhout 102
2514 EJ The Hague
Phone: +31 (0)70 3102 305 / Fax: +31 (0)70 365 7681
marcel.pinckaers@fas.usda.gov
www.fas.usda.gov / www.usembassy.nl/fas.html

Please view our website for more information on exporting U.S. food ingredients to the Benelux. Importer listings are available at the Office of Agricultural Affairs in The Hague.

Please find below reports of interest to U.S. exporters that are exploring the opportunities to start exporting to the Benelux food processing market. These reports can be downloaded from the following FAS website:

<http://www.fas.usda.gov/scripts/attacherep/default.asp>

| Title | Date Report | Number |
|--------------------------------|-------------|--------|
| EU fishery marketing report | 05/06/2008 | NL8009 |
| Benelux frozen potato report | 01/23/2008 | NL8002 |
| Retail Food Sector | 11/05/2007 | NL7028 |
| FAIRS Export Certificate Guide | 10/22/2007 | NL7026 |
| Exporter Guider | 10/12/2007 | NL7025 |
| FAIRS report | 09/24/2007 | NL7017 |
| Dutch specialty foods market | 09/10/2007 | NL7021 |
| Benelux beef market | 04/16/2007 | NL7008 |
| Benelux tree nuts market | 01/29/2007 | NL7002 |